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USSR-JAPAN: The Soviets have begun to stall on negotiations with Japan concerning joint economic ventures in Siberia. They have postponed meetings that were to take up details concerning the Tyumen oil pipeline, Yakutsk gas, and other projects. Moscow apparently wants to put the Japanese off until after Brezhnev's trip to the US, in the hope that the results of this visit will improve the Soviet bargaining position with Japan.

The Soviets have openly discussed their new approach with US diplomats in Tokyo. Ambassador Troyanovsky, after pressing hard earlier in the year for Japanese Government support of the Tyumen project, recently acknowledged that the USSR is now "dragging its feet." A Soviet trade official said Moscow expected to conclude favorable deals with the US on energy projects, and would later propose similar terms to Japan on a "take-it-or-leave-it basis." He also played up the results of the recent Brezhnev-Brandt meeting, particularly on energy matters.

The Soviets probably hope that these remarks will get back to the Japanese and persuade them that Moscow has attractive alternatives to Japanese participation in Siberian projects. Some Japanese Government officials have tried to alert Japanese businessmen to the Soviet ploy, but there are already signs of mounting worry that the USSR might turn more and more to the West for help in developing its energy resources.

The new Soviet coolness toward Japanese participation probably is part of a tactical Soviet effort to play off the major industrial nations against each other.

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WEST GERMANY: The Constitutional Court's decision to review the inter-German treaty has not only embarrassed the Brandt government but complicated inter-German relations. Negotiators Bahr and Kohl ended their session on 30 May by announcing that, in light of the case, they would not set a date for their next meeting. The Brandt government is weighing whether it can continue to insist that applications for admission to the UN await ratification of the treaty and agreement on details for the projected exchange of diplomatic missions. Bonn suspects that Pankow will proceed on the basis of the original tacit timetable for forwarding UN applications in July and continue to drag its feet on discussing bilateral diplomatic missions.

The conservative Bavarian government filed the constitutional challenge on 23 May, the day after Soviet party chief Brezhnev ended his visit to West Germany. Bavaria asked the court to enjoin President Heinemann from signing the ratification bill pending a decision on the treaty's constitutionality. A few days later Bavaria challenged the objectivity of one of the justices who had already expressed an opinion on the treaty. The court agreed to consider the constitutional issue, but rejected the challenge of the justice and put off a ruling on the enjoinder until 4 June. This last decision was an apparent effort to deflect political heat from the court to Heinemann, who is faced with the decision whether to sign the bill in the interim.

Although Brandt has expressed complete confidence in the ultimate verdict, a negative decision cannot be entirely ruled out. Unofficial press sources in Bonn claim that the court's second chamber, which deliberated whether to accept the case, was evenly divided. The merits of the case will be judged by the first chamber, which will begin deliberations on 19 June and render an opinion by

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31 July. The first chamber is composed of four justices nominated by the Christian Democratic/Christian Social opposition, one nominated by Brandt's Social Democrats, and three with no political sponsorship.

Brandt's public optimism presumably rests on the knowledge that the Christian Democratic and Christian Social parties are not firm in opposition to the treaty. In the upper house of parliament, where the opposition parties hold a 21 to 20 edge, Christian Democratic - ruled states on 25 May refused to support Bavaria in an effort to block ratification in the political, as opposed to the legal, arena.

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USSR: The USSR incurred a record hard-currency deficit of about \$1 billion last year. Imports from the developed West surged to an estimated \$4 billion compared with \$2.9 billion in 1971. Imports of Western machinery and equipment increased by about one third, reaching a record level of about \$1.4 billion. Record imports of grain from the West last year were valued at about \$600 million, compared with \$158 million in 1971.

To help finance last year's deficit, the USSR sold significant quantities of gold for the first time since 1965. The sale of more than 150 metric tons of gold in 1972 may have earned the USSR as much as \$300 million. In anticipation of an even greater hard-currency deficit in 1973, the USSR reportedly has already sold 93 tons of gold during the first quarter of this year, which may have earned the USSR as much as \$250 million.

Most Soviet imports of Western machinery and equipment are financed by medium- and long-term Western government-guaranteed credits and borrowing in the Eurocurrency market. Imports of grain and most other goods generally call for cash payments, although in 1972 the Soviets financed about \$100 million worth of grain imports from the US with three-year Commodity Credit Corporation loans.

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CANADA: The minority government appears to have decided that a strategy aimed at merely surviving would hurt the Liberal Party's electoral prospects, because voters are unlikely to have much sympathy for an administration whose only purpose is to hang on. The government therefore is demonstrating that it can make decisions and is pushing on with its legislative program.

This week the government disposed of a major international issue, and gained some domestic approval, by announcing that Canada would withdraw from the ICCS. All opposition party spokesmen supported the decision. The Liberals had been under increasing domestic pressure in recent weeks to pull out because of the ineffectiveness of the Commission and fears for the safety of the Canadians who might be caught in the continued fighting in Indochina.

The Liberal floor leader in the House of Commons recently threatened to extend the parliamentary session into July unless the House acts quickly on a number of priority issues, including proposals to cut corporate taxes. Earlier this spring the government had seemed intent on burying this contentious issue in the legislative process until parliament resumed in the autumn.

In introducing the measure, Finance Minister Turner stressed the need to protect the international competitive position of Canadian industry. He claims that the tax savings for industry would provide the impetus for investment and thus help relieve Canada's persistent unemployment problem. Turner measurably improved the prospects for passage by amending the initial proposal to provide for a parliamentary review process whereby the tax reductions could be evaluated and, if necessary,

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abolished. The New Democratic Party, the government's informal coalition partner, is continuing its outspoken opposition to the bill, but the Conservatives now seem ready to shift their position and support the amended legislation. [REDACTED]

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GATT: China may be interested in attending the coming GATT trade negotiations as a non-member participant or observer. [REDACTED]

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[REDACTED]

GATT has invited developing countries which are not members to participate in preparatory work for the negotiations. This invitation does not apply to China, however, because Peking has never identified itself as a developing country in the context of GATT or UNCTAD. Should Peking attend the trade negotiations, this might lead to a move to permit Soviet participation. Poland, a member of GATT, has several times suggested that Moscow participate. Soviet participation, in particular, could cause some disruption to the trade talks. [REDACTED]

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